

SOUTH DURANGO SANITATION DISTRICT 2022 BUDGET MESSAGE

The proposed budget for the South Durango Sanitation District for the 2022 calendar year is attached. As required by law, the budget summarizes all revenues and expenditures for the District for the prior year, the current year and the proposed budget year.

The District provides sewage collection and treatment services in the South Durango and Grandview areas. Although a substantial portion of the District service area is within the Durango city limits, a portion remains in the unincorporated area of La Plata County, Colorado. The District serves customers who are connected to the City's central water system and customers who have private wells or private water systems.

The District is supported by revenues paid by its customers and does not levy an ad valorem property tax. All current customers are charged a monthly user fee which covers all operating costs of the District and provides additional funds for additions to capital reserves to pay a portion of the costs that are anticipated in 2028 to meet new nutrient removal requirements. The District exercised the purchase option for the sludge handling equipment in 2021 and has no lease purchase payments budgeted in 2022.

The District increased its monthly user fee from \$45 to \$50 on March 1, 2021. No additional increases are projected for 2022 in the District's Master Plan. Operating revenues continue to increase each year as new customers are added. That trend is expected to continue for the foreseeable future as numerous development projects are planned in the District service area.

Tap fee revenue is used to pay for debt service and other capital costs incurred to construct or expand facilities needed to provide service for new customers. The District prepaid its WPCRF loan in 2021 and does not have any outstanding debt. Continued strong growth in the Three Springs area and new projects proposed in the south Durango, Grandview and Southfork areas within the District are likely to provide substantial tap fee revenue which will result in an increase in the capital reserves available to the District to pay for expansion of the system. Planned capital expenditures (non-operating) in 2021 include \$84,750 for treatment plant improvements, \$40,000 for a new vehicle and \$138,750 for collection system improvements.

The 2022 budget projects total operating expenditures of \$841,050, an increase of \$66,465 over the amount of budgeted expenditures in 2021 due to increased costs projected for equipment repair and replacement, testing, personnel and administration. The 2022 budget projects net operating income of \$1,160,80, an increase of \$48,000 more than estimated operating income in 2021.

The District does not receive any tax revenues and has established a water activity enterprise pursuant to Colorado law. As an enterprise, the District is exempt from TABOR limitations. The District uses the cash method for budgetary accounting. Audits are prepared using the modified accrual basis and GAAP for governmental units.

**SOUTH DURANGO SANITATION DISTRICT
2022 BUDGET**

		Budget	Estimated	Over	Final	Actual
		Year Ending	Year Ending	(Under)	Budget	Year Ending
		12/31/22	12/31/21		2021	12/31/20
OPERATING						
Revenues						
	Sewage Treatment	\$ 1,149,600	\$ 1,101,866	\$162,476	\$ 939,390	\$ 934,914
	Interest	100	60	(240)	300	749
	Inspection fees	5,000	5,100	100	5,000	1,300
	Sludge Processing Fees-LLSD	6,000	6,000	0	6,000	6,000
	Miscellaneous	100	-	(100)	100	-
	Total Operating Revenues	1,160,800	1,113,026	162,236	950,790	942,963
Expenditures						
Collection and Transmission						
	Power	3,000	2,450	(550)	3,000	2,665
	Cleaning	40,000	20,013	(19,987)	40,000	40,438
	Repairs and Supplies	15,000	-	(30,000)	30,000	8,912
	Salaries	69,000	67,025	2,025	65,000	62,797
	Operator	7,500	7,500	0	7,500	7,500
	Payroll taxes & Benefits	19,300	18,725	(35)	18,760	18,300
	Vehicle Expense	6,000	4,500	(1,500)	6,000	2,477
	Total Collection and Trans.	159,800	120,213	(50,047)	170,260	143,089
Sewage Treatment						
	Repairs, Maintenance & Supplies	40,000	40,000	5,000	35,000	25,241
	Equipment replacement	25,000	6,000	(19,000)	25,000	6,198
	Salaries	46,000	44,675	1,675	43,000	41,865
	Payroll taxes & Benefits	13,400	13,000	550	12,450	12,200
	Operator	30,000	30,000	0	30,000	30,000
	Sludge Handling	60,000	68,300	33,300	35,000	30,411
	Testing	20,000	12,975	975	12,000	12,862
	Utilities	75,000	73,000	(12,000)	85,000	66,611
	Total Sewage Treatment	309,400	287,950	10,500	277,450	225,388
Administrative						
	Accounting and Billing	52,000	50,510	4,310	46,200	45,787
	Auditing	8,200	8,200	0	8,200	8,200
	Directors Fees	6,625	6,150	(475)	6,625	5,921
	Dues & Subscriptions	1,350	1,210	(40)	1,250	1,201
	Engineering	40,000	32,500	2,500	30,000	35,051
	Engineering-Master Plan	10,000	9,000	(13,550)	22,550	16,875
	Insurance	19,625	20,723	723	20,000	20,126
	Legal & Administration	70,000	62,500	32,500	30,000	67,556
	Management	138,050	-	(138,050)	138,050	-
	Miscellaneous	1,000	725	(275)	1,000	2,126
	Office & Postage	22,500	20,000	0	20,000	22,072
	Permits	1,500	1,500	250	1,250	1,168
	Training & Seminars	1,000	400	(1,350)	1,750	288
	Total Administrative	371,850	213,418	(113,457)	326,875	226,371
	Total Operating Expend.	841,050	621,581	(153,004)	774,585	594,848
	Operating Income (Loss)	319,750	491,445		176,205	348,115

**SOUTH DURANGO SANITATION DISTRICT
2022 BUDGET**

	Budget	Estimated	Over	Final	Actual
	Year Ending	Year Ending	(Under)	Budget	Year Ending
	12/31/22	12/31/21		2021	12/31/20
OPERATING - continued					
Transfer to Non-operating	(406,280)	(350,000)		(150,000)	(118,409)
Operating Fund Balance - Jan 1	441,264	299,819			70,113
Operating Fund Balance - Dec 31	354,734	441,264			299,819
NON-OPERATING Revenues					
Tap Fees	1,912,500	484,750	109,750	375,000	127,700
Interest	7,500	12,000	(10,500)	22,500	29,735
Total Non-operating Rev.	1,920,000	496,750	99,250	397,500	157,435
Expenditures					
Capital Outlay					
Equipment-New	40,000	27,609	(18,391)	46,000	47,563
Collection system	33,750	77,000			
Treatment Plant	189,750	132,500	(336,700)	469,200	126,187
Total Capital Outlay	263,500	237,109	(278,091)	515,200	173,750
Debt Service					
Principal					
WPCRF	-	521,187	483,114	38,073	38,072
Sludge Handling Equip.	-	148,283	91,575	56,708	56,716
Interest					
WPCRF	-	10,231	(764)	10,995	10,933
Sludge Handling Equip.	-	994	(3,941)	4,935	4,864
Total Debt Service	-	680,695	569,984	110,711	110,585
Total Non-operating Exp	263,500	917,804	291,893	625,911	284,335
Non-operating Income (Loss)	1,656,500	(421,054)	(192,643)	(228,411)	(126,900)
Transfer from Operating	406,280	350,000		150,000	118,409
Non-operating Fund Bal - Jan 1	1,093,979	1,165,033			1,173,524
Non-operating Fund Bal - Dec 31	3,156,759	1,093,979			1,165,033
TOTAL FUND BALANCE - JAN 1	1,535,243	1,464,852			407,039
TOTAL FUND BALANCE - DEC 31	3,511,493	1,535,243			1,464,852
Note 1: No increases in user or tap fees projected in 2022					
Note 2: Operating transfer is 35% operating revenue and any capitalized repairs					
Note 3: Assumes 42 new ERTs for residential units, 178 ERTs for apartment units					
Note 4: The Capital Outlay is detailed on the attached schedule					

**SOUTH DURANGO SANITATION DISTRICT
2022 Budget**

Supplemental Schedule – Capital Outlay

Vehicle		\$ 40,000
Equipment Replacement		\$ 35,000
Collection System Improvements		\$ 33,750
Lift Station SCADA		\$ 105,000
Treatment Plant		
Upgrade	\$ 50,000	
Basin Complex	\$ 34,750	
Treatment Plant Total		\$ 84,750
Total Capital Outlay		\$ 189,750